



Department of Veterans Affairs
Health Administration Center

Stakeholders' Report FY 2004



Department of Veterans Affairs
Health Administration Center
CHAMPVA



Department of Veterans Affairs
Health Administration Center
**Children of Women
Vietnam Veterans**



Department of Veterans Affairs
Health Administration Center
CITI



Department of Veterans Affairs
Health Administration Center
**Fee
Replacement Project Management Office**



Department of Veterans Affairs
Health Administration Center
Field Support



Department of Veterans Affairs
Health Administration Center
**Foreign Medical
Program**



Department of Veterans Affairs
Health Administration Center
Mail Management



Department of Veterans Affairs
Health Administration Center
Meds by Mail



Department of Veterans Affairs
Health Administration Center
Spina Bifida

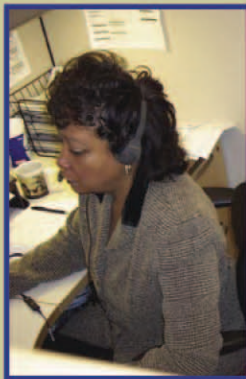


In Memoriam

Lelia M. Hooks



The Health Administration Center lost a valued employee and friend on August 6, 2004. The HAC family gathered for a memorial service to honor the life of Lelia Hooks on August 11, 2004. Lelia began her service at the Health Administration Center on July 30, 2000 as a Program Support Clerk. She was selected as a Voucher Examiner in the Claims Processing Division and then a Contact Representative in the Beneficiary and Provider Services Division in 2001. After two further promotions as a Contact Representative, she was reassigned as a



Lead Contact Representative in July 2004. She co-chaired and then chaired the Combined Federal Campaign for the HAC in 2002 and 2003 respectively, and was an active member of the Black Employee Special Emphasis Program and the Parents Advisory Committee. In her name, the Center has created an "Employee of the Quarter" award. Because of her love of dancing, there will also be a dance contest in her memory as part of the Annual Diversity Day activities. Lelia will be missed.

FROM THE DIRECTOR

What a year! As we ended FY 2004, we set many new records. Tops among them is the fact that we processed 5.5 million claims — over a million more than last year and a 37.5% increase! The Health Administration Center (HAC) served more veterans and families than ever before; we did it at a lower administrative cost than ever before; and we were able to increase the effectiveness of our cost savings and cost avoidance in our medical service, medical administration and medical facilities appropriations. Here are a few highlights:



- We went from an average cost per claim for all programs of \$6.69 in FY 2003 to \$5.80 in FY 2004
- We improved application processing speed from 90% completed in 10 days at the start of the year to 98% at the end of the year
- We achieved a total of \$116 million in savings, cost avoidance, and recoupments
- We returned \$24.4 million to the VA through the CHAMPVA In-house Treatment Initiative (CITI) program

To start the year, the HAC led the way to achieving the Electronic Data Interchange requirements for the Health Insurance Portability and Accountability Act for the entire Veterans Health Administration. The Center, through its business relationship with WebMD, established a system to receive and respond to electronic health claims nationwide. The Center provided software, network access, training and help desk assistance to VA hospital and VISN staff nationwide, and is currently supporting over 1,100 system users on our internally developed and maintained applications for electronic claims.

The Center also took on program management responsibility for the VA Fee program. In FY 2004, the Center took control of national Fee user and work groups, created and delivered a highly successful “Fee 101” training workshop to 438 individuals nationwide, and initiated policy, program, and Business Process Reengineering initiatives to improve the existing Fee program.

During the entire year, the staff and employees did an excellent job of “keeping their eye on the ball” in all our existing product and service areas. As you will see inside this report, we made tremendous strides in our strategic goals: Customer Focus, Staff Development, Quality Products, Save Money, Leverage Technology, and Compliance with Laws and Regulations.

Congratulations to the entire staff on a job well done, and please continue the superb effort in our quest to recognize and honor the sacrifices made by this nation’s veterans.

Ralph Charlip, FACHE, FAAMA
Director

VISION, MISSION, VALUES, AND GOALS

The HAC has worked hard to instill a clear set of values that focus the efforts of our staff and characterize our role in providing the hallmark of exceptional health plan management. Our vision, mission, and values formed the foundation of our Strategic Plan for FY 2004 and provided a guideline for all Center activities. Our core values were designed to specifically support the Department of Veterans Affairs and the Veterans Health Administration

goals and ensure that the beneficiary and veteran remain our primary concern. The HAC strives to produce an environment of employee participation, collaboration, sharing, and teamwork as one integrated delivery system. We work together while simultaneously encouraging individual creativity and leveraging technology to provide the best care for veterans and their families in the most cost effective manner possible.

The HAC organizes the strategic planning process around the Roadmap to the Future. We establish objectives and strategies to improve our products and services and to measure our performance in each of our six goals (Figure 1).

Figure 1 - HAC Vision, Mission, Values, and Goals

- *Why We're Here: "...To care for him who shall have borne the battle and for his widow and orphan" – Abraham Lincoln*
- *The Center's Vision: To be the VA expert in health plan management*
- *The Center's Mission: To efficiently administer health plans*
- *How We Do It: With Values of Integrity, Accountability, Trust, Challenge, Customer Service and Humor*
- *Roadmap to the Future (Center Goals): Customer Focus, Staff Development, Quality Products, Save Money, Leverage Technology, and Compliance with Laws and Regulations*



HAC employees pay tribute on POW/MIA Day

HAC OVERVIEW

Located in Denver, Colorado, the HAC employs a mixture of full time and part time federal employees and contracted staff that allows us to be flexible and efficient in managing our various product lines and services (see HAC Organizational Chart, Attachment 1). As of September 30, 2004, there were 457 federal employees and 91 contract employees working at the HAC. Our employees are an ethnically diverse group, which generally reflects the local demographics of the Denver workforce (see Table 1). Forty-one percent of our employees are veterans and many more staff members are family members of veterans. This furnishes the HAC with a deep understanding and strong affinity for the needs of our customers.

Table 1 - Center Demographics

HAC Total Employees		Community
White	54%	73%
Black	22%	4%
Hispanic	11%	18%
Asian	3%	3%
American Indian	1%	1%
Two or More Races	8%	2%

Gender/Veteran Status		Community
Female	55%	49%
Male	45%	51%
Veterans	41%	11.2%

Aligned under the VHA Chief Business Office, the HAC's primary mission is to efficiently administer health plans. These plans are federal health care benefit programs for veterans and their qualifying family members. The Center was initially established in 1986 to provide beneficiary eligibility determinations for the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). Since then, the HAC has taken full ownership of all aspects of the CHAMPVA program. Because of our

effective management of CHAMPVA, the Center's responsibilities have been expanded to include administration of other VA health care programs including the Foreign Medical Program, the Spina Bifida Health Care Program, the Children of Women Vietnam Veterans Health Care Program, Persian Gulf Examination Program for Dependents, and the Fee Program.



BPS answers over 2,800 calls daily

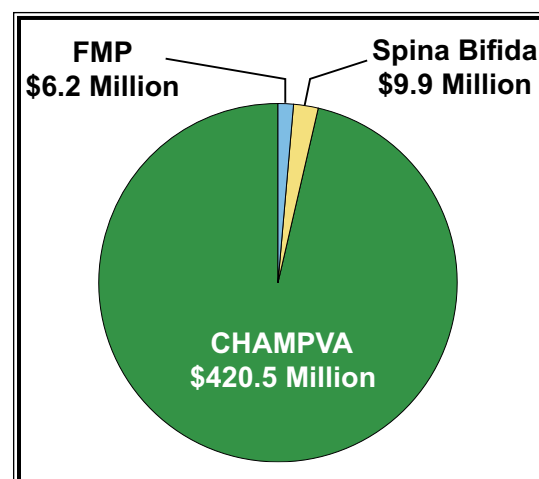
Budget and Workload

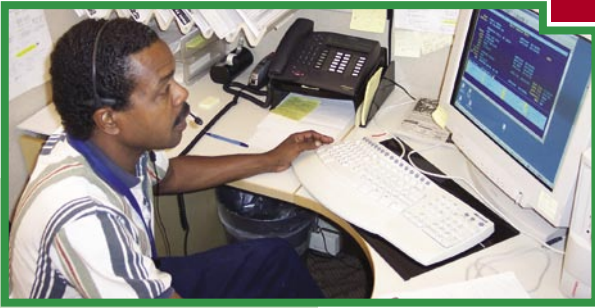
The HAC budget was divided between benefits payments and operating costs. The HAC strives to provide the highest quality of service and program benefits to the veterans and family members that are enrolled in our programs. In FY 2004, our administrative cost to benefits ratio was 7.45% (compared to 13-26% for industry). The following figures provide more details on cost and workload.

Benefits Payments

In FY 2004, we spent \$433.6 million for all programs. This reflects an increase of 44.2% from FY 2003. This increase was largely due to increases in the CHAMPVA program. Figure 2 shows the breakout of spending by program.

Figure 2 - Spending by Program

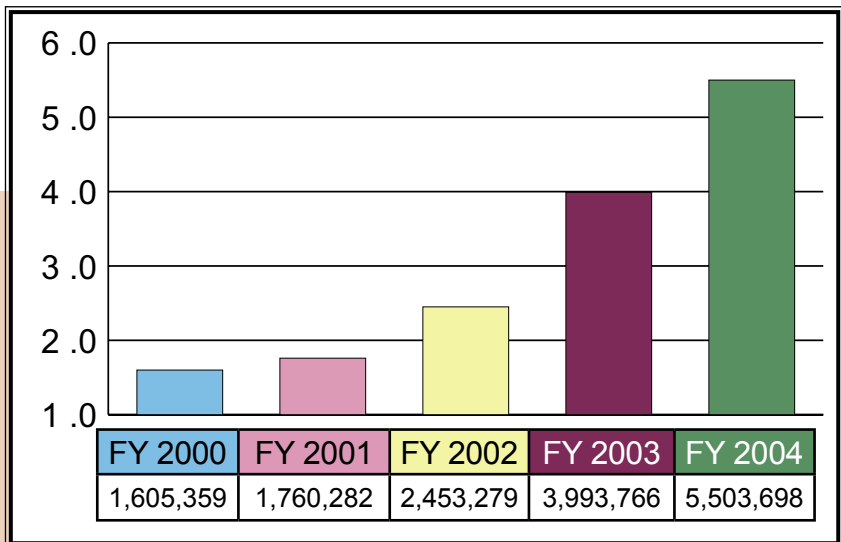




The HAC received 942,235 calls in FY 2004

leveraging technology, centralizing training, and adding a splash of humor; all of which have led to excellent performance as shown in Table 2 on page 7, and a high rate of customer satisfaction as shown in Figure 8 on page 10. Figure 4 shows our growth in claims created from FY 2000 to FY 2004.

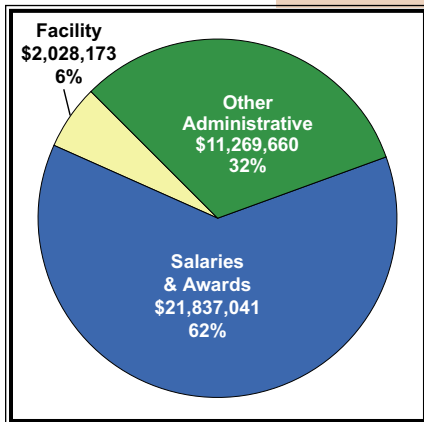
Figure 4 - Total Claims Created



Operating Costs

Figure 3 shows the breakout of HAC operating expenses for FY 2004. Total operating expense was \$35.1 million. This was a 22.6% increase over last year, due largely to a 37% increase in claims processed.

Figure 3 - Operating Budget Breakdown



Workload

The number of claims created for all programs in FY 2004 was 5.5 million.

Over the past five years, the Center has experienced a 243% increase in claims processed while we brought the cost per claim down by over 18.4%. We have successfully managed this remarkable growth by focusing on our core values. We strive for continuous process improvement through an aggressive combination of

PROGRAMS ADMINISTERED BY THE HAC

The Center administers the following programs:

- **Civilian Health And Medical Program of the Department of Veterans Affairs (CHAMPVA)**

CHAMPVA provides coverage to the spouse or widow(er) and to the children of a veteran who:

- is rated permanently and totally disabled due to a service-connected disability, or
- was rated permanently and totally disabled due to a service-connected condition at the time of death, or

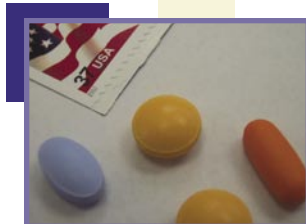
- died of a service-connected disability, or
- died on active duty,

and the dependents are not otherwise eligible for DoD TRICARE benefits.

CHAMPVA eligibility can be impacted by changes such as marriage, divorce from the sponsor, or eligibility for Medicare or TRICARE. Changes in status must be reported immediately to CHAMPVA.

- The **CHAMPVA Inhouse Treatment Initiative (CITI)** program was established to allow and encourage VA medical facilities to provide treatment to CHAMPVA beneficiaries on a space available basis. The HAC reimburses the medical facilities for their services and the beneficiaries have no out of pocket costs. One hundred and two VA facilities participated in the CITI program in FY 2004.

- The **Meds by Mail (MbM)** program is a service for eligible CHAMPVA beneficiaries which allows participants to choose a safe, easy, and cost-free way to receive non-urgent maintenance medications delivered to their homes. The HAC partners with the Leavenworth Consolidated Mail Outpatient Pharmacy (CMOP) and the Cheyenne, WY VA Medical Center. In FY 2004 our MbM program expanded from 60,800 to 93,600 prescriptions filled.



MbM filled nearly 1 million prescriptions in FY 2004

- **Foreign Medical Program (FMP)**

FMP is a health care benefits program designed for veterans with VA-rated service-connected conditions who are residing or traveling abroad. Under FMP, VA assumes payment responsibility

for medical services associated with the treatment of a service-connected condition. Medical coverage is also extended to all veterans that are enrolled in a VA approved vocational rehabilitation program.

- **Spina Bifida Health Care Program**

The Spina Bifida Health Care Program is designed for certain Vietnam and Korea veterans' birth children who receive a VA regional office award for spina bifida benefits. Under this program, VA assumes financial responsibility for medical services and supplies related to the treatment of spina bifida, including complications and associated conditions. The program experienced moderate growth in FY 2004, increasing from 1,124 enrollees at the end of last year to 1,164 enrolled at the end of this year.



FMP specialists processed claims from 37 countries in FY 2004

- **Children of Women Vietnam Veterans Health Care Program (CWVV)**

The CWVV Program is designed for women Vietnam veterans' birth children diagnosed with a covered birth defect as determined by the Denver VA regional office. Under this program, VA assumes financial responsibility for medical services and supplies related to the treatment of the covered birth defect, including complications and associated conditions. Currently, there are eight beneficiaries enrolled in the program. No claims were filed and no benefit dollars were paid in FY 2004.

- **Persian Gulf Examination Program for Dependents (PGP)**

PGP provides the opportunity for dependents of Persian Gulf veterans to receive a physical examination at VA expense. This program, begun in 1996, has reached maturity. Because the original ending date was extended from 1998 through the present, the program has not been closed, though the number of claims received continues to decrease. During FY 2004 we processed 18 claims and paid \$3,439 in benefits.



The HAC provided Fee 101 training to more than 430 VA Fee employees

- **Fee Program**

The Fee program provides care to eligible veterans when the care they need is not available at a VA medical facility. Management of the Fee program was transferred to the HAC in November 2003. In FY 2004, we implemented a software solution to allow external providers to transmit an electronic bill to any VA medical center. The HAC created and offered the first national training program for Fee staff.

- **Field Support**

The HAC provided support to approximately 230 VHA field staff in FY 2004 in the areas of human resources, information systems, procurement, contracting, leasing, inventory management, fiscal, travel, payroll management, and graphic design. The HAC supported the Health Eligibility Center, Health Information Assurance

staff, Decision Support System staff, Chief Information Office staff, Inspector General staff, Health Revenue Center, VA Allocation Resource Center, and the VA Chief Business Office in VA Central Office as well as its Field Office in Denver. We also provided technical assistance and system administration for the Phase I Fee system to approximately 1,100 VHA staff.

During FY 2004, the Deputy Chief Business Officer-Field Operations (CBO-FO) established his organization and staff in Denver, co-located with the HAC. The HAC helped with this transition by working with the Deputy Chief Business Officer to coordinate the activities necessary to create a new office setting. This move has resulted in improved communication between the CBO-FO and his largest field activity at the HAC.

- **VHA Mail Management**

The VHA Office of Mail Management is organizationally aligned under the HAC. The office maintains policy for the program and data pertaining to mail volume and cost for all VHA activities. This program has reached maturity and will remain an HAC responsibility for maintenance.

- **VA National Diagnostic Related Group (DRG) Recovery Audit**

The HAC continues to provide Contracting Officer's Technical Representative and Administering Contracting Officer responsibilities for the VA National DRG Recovery Audit. The audit reviews VA payments to community hospitals for services provided from FY 1995-2002 to ensure that payments were made correctly and to recover any overpayments. Since its inception in FY 2001, the audit has collected \$28.6 million.

WHAT WE DID IN 2004

One VA

Under the One VA concept the HAC leverages education opportunities with the Employee Education System, maximizes information gathering at conferences and symposiums, and utilizes the lessons learned by other VA departments throughout the country.

The HAC actively partners with VA Regional Offices nationwide in order to determine eligibility for the Foreign Medical Program and the CHAMPVA program. The Center also hosts a field office for the VA Office of the Inspector General and Chief Information Office.

The CITI program paid \$24.4 million to VA medical facilities in FY 2004.

We have partnerships with the Minneapolis, MN VAMC to provide durable medical equipment services, with the Cheyenne VAMC and the Leavenworth CMOP to provide medications by mail, and with the Denver Distribution Center for hearing aids

and related services for FMP veterans.

FY 2004 Performance Summary

HAC performance standards are set on an annual basis and reviewed monthly by the Executive Leadership Team to determine if goals need to be adjusted. An action plan is put in place when any standard is not met. The Center's key performance measures are listed in Table 2.



The HAC warehouse supports nearly 550 employees

Table 2 - HAC Key Performance Standards

Activity	Standard	FY 2003	FY 2004
CHAMPVA Adjusted Cost Per Claim	<\$6.11	\$6.69	\$5.73
Initial Application Processing	95% in 10 calendar days	—	98.1%
From receipt of verification to issuing CHAMPVA membership card	95% in 4 calendar days	—	90.9%
CHAMPVA and Spina Bifida Claims Processing	95% in 30 days	96.6%	97.1%
FMP Claims Processing	95% in 45 days	89%	100%
Payment Error Rate	<2% of total billed	1.35%	0.97%
Call Wait Times	40% in 30 seconds	34.2%	29.1%
Call Wait Times	80% in 180 seconds	—	56.7%
E-mail Response Time	100% in 1 working day	100%	100%
Correspondence Response Time	100% in 10 calendar days	—	81.3%
Appeals Response Time	100% in 60 calendar days	—	99.3%

Met or exceeded standard

HAC ROADMAP GOALS FY 2004

FY 2004 was another year of great change and growth for the HAC. The HAC team worked at an accelerated pace and processed the largest number of claims in our history. The success of the HAC is due, in large measure, to our great people and their dedication to our veterans and the veteran's family. Following is a summary of our accomplishments and challenges in light of our six goals which are:

- Customer Focus
- Staff Development
- Quality Products
- Save Money
- Leverage Technology
- Compliance with Laws and Regulations

Please refer to Attachment 2 for the full Roadmap.

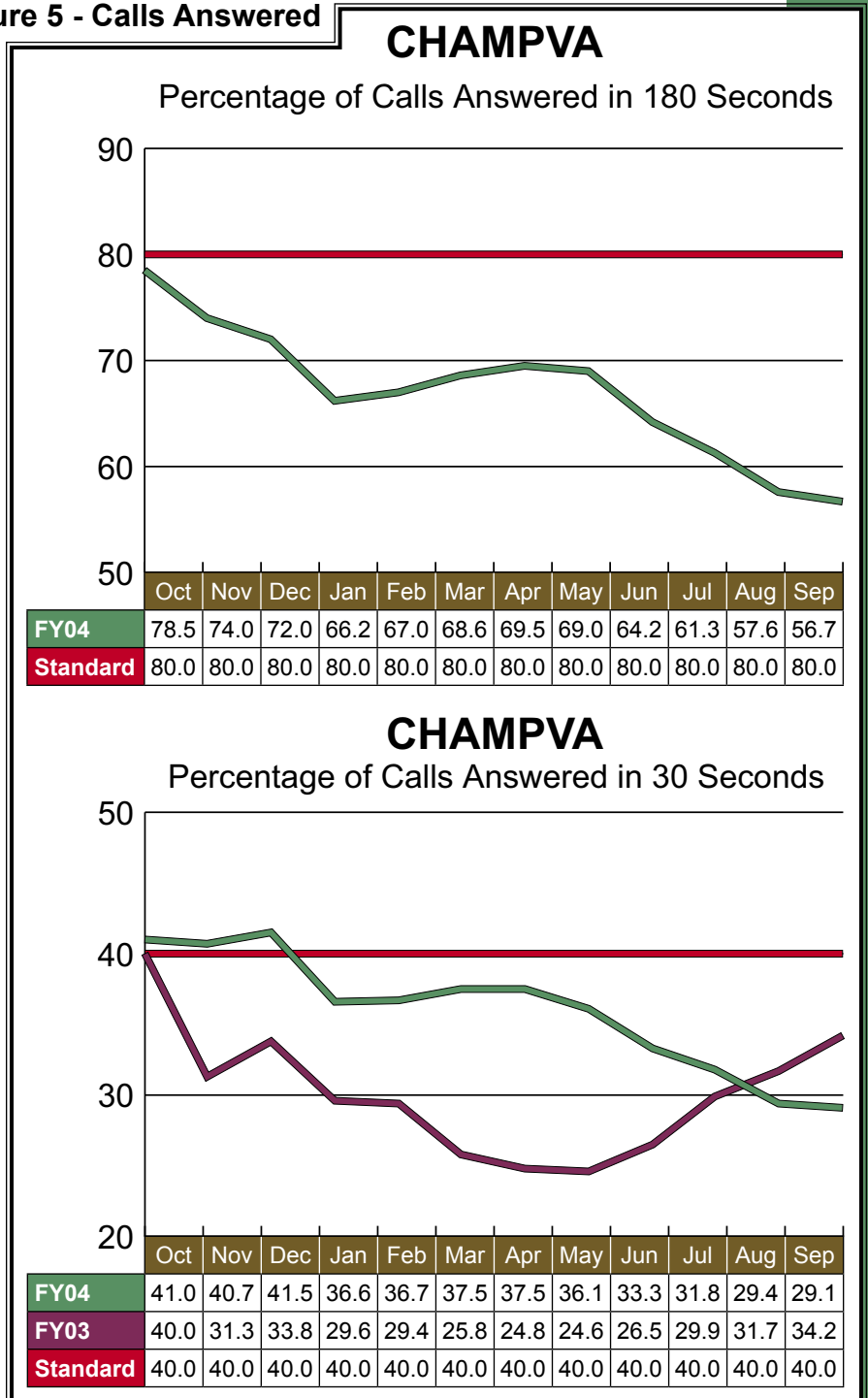
GOAL: Customer Focus

Communication

Every caller to the Center is greeted by an Interactive Voice Response system that allows beneficiaries and providers to select from a number of automated service options. In FY 2004 we set a goal of answering 40% of all calls within 30 seconds, and to answer 80% of all calls within 180 seconds (see the two charts in Figure 5). This goal is a measurement of how long a customer had to wait after indicating that they want to speak to a live operator. Center performance was impacted by staff turnover and rising workload in almost every area of the contact center. The Center made investments in training, technology, and manpower

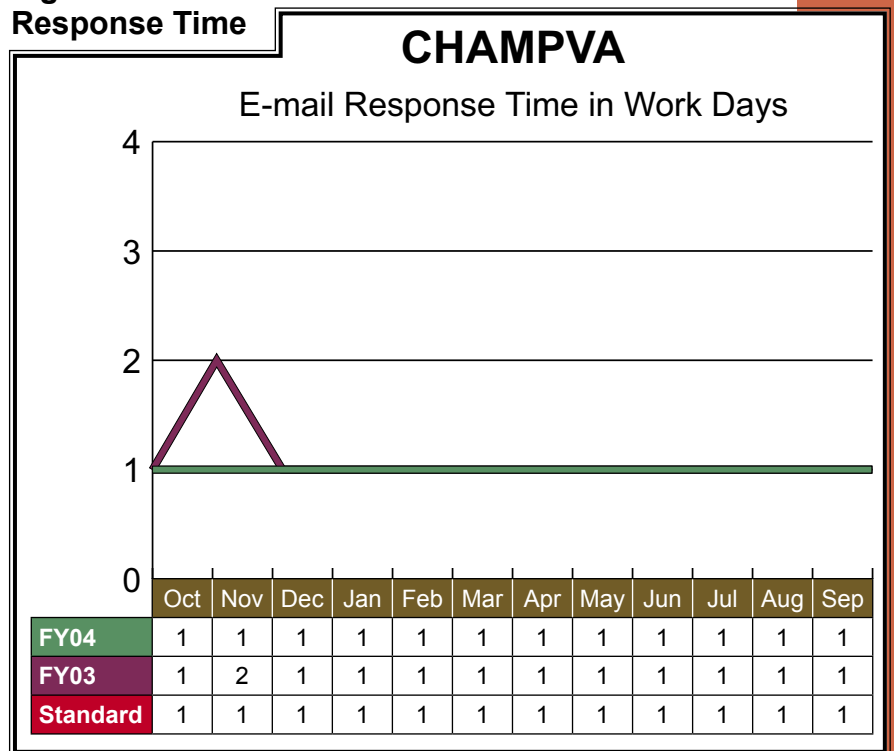
during the year, and by the end of the fiscal year, we began to see improvement in both measurements. Although we did not achieve this goal in 2004, we raised the performance level to 45% of all calls answered in 30 seconds for FY 2005.

Figure 5 - Calls Answered



The Center places a high value on timely responses to customer e-mail inquiries. In FY 2004, every customer e-mail received a response in one working day, with many of the messages receiving a response within a few hours (See Figure 6). The Center also places a high value on the protection of individual privacy. Every e-mail request is reviewed to determine if our response will need to include Individually Identifiable Health Information. If this is the case, our responses are sent to a secure server. The customer is issued a user identification and personal login to protect their privacy while making the reply easily available.

Figure 6 - E-mail Response Time

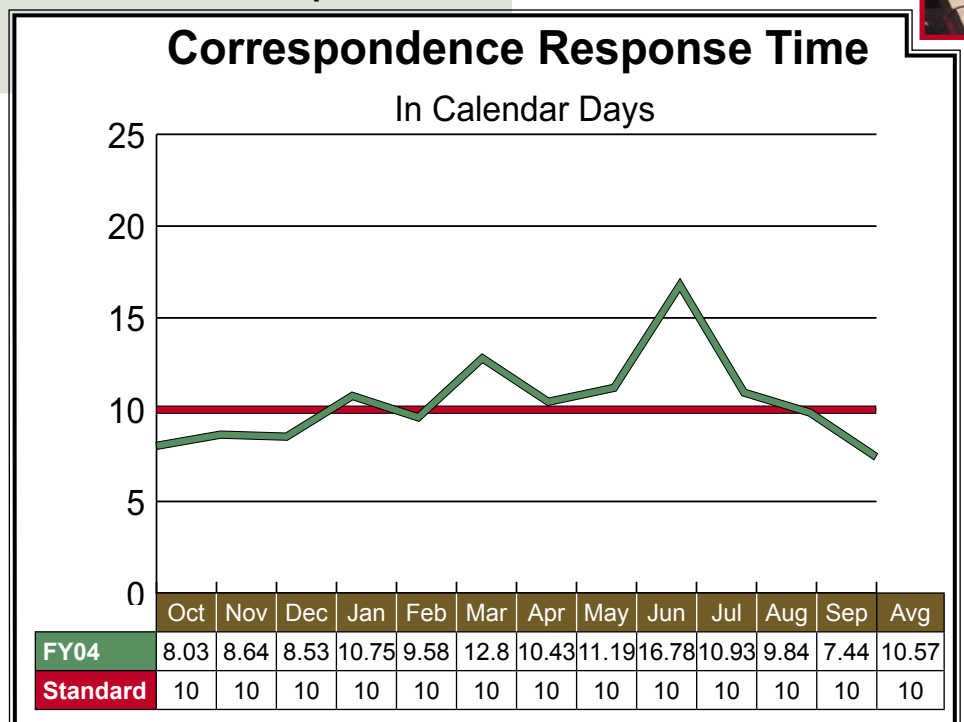


The Correspondence Unit finished FY 2004 with no pieces of correspondence more than 10 days old



Figure 7 - Correspondence Response Time

Written correspondence is by far the most difficult and time consuming method of communication, but it is preferred by over 45% of our beneficiary population as the primary means of communication. We did not achieve the goal of answering all written requests in 10 calendar days. At the middle of the year we experienced an increase in correspondence, but we were able to get our response time back to standard before the end of the year (See Figure 7).



We made significant communications improvements this year. We began sending a confirmation letter to beneficiaries whenever we made a requested update to their record. We implemented an “800” number for ten countries with the highest population of veterans who use the FMP and a wallet-sized card with the available numbers was mailed to each veteran.

We instituted a new complaint tracking system to better identify our customers’ wants and needs. We created an electronic mail group for Spina Bifida program beneficiaries and are currently developing customized claim forms.

We conducted annual health plan surveys for beneficiaries of the CHAMPVA, Spina Bifida, and FMP programs.

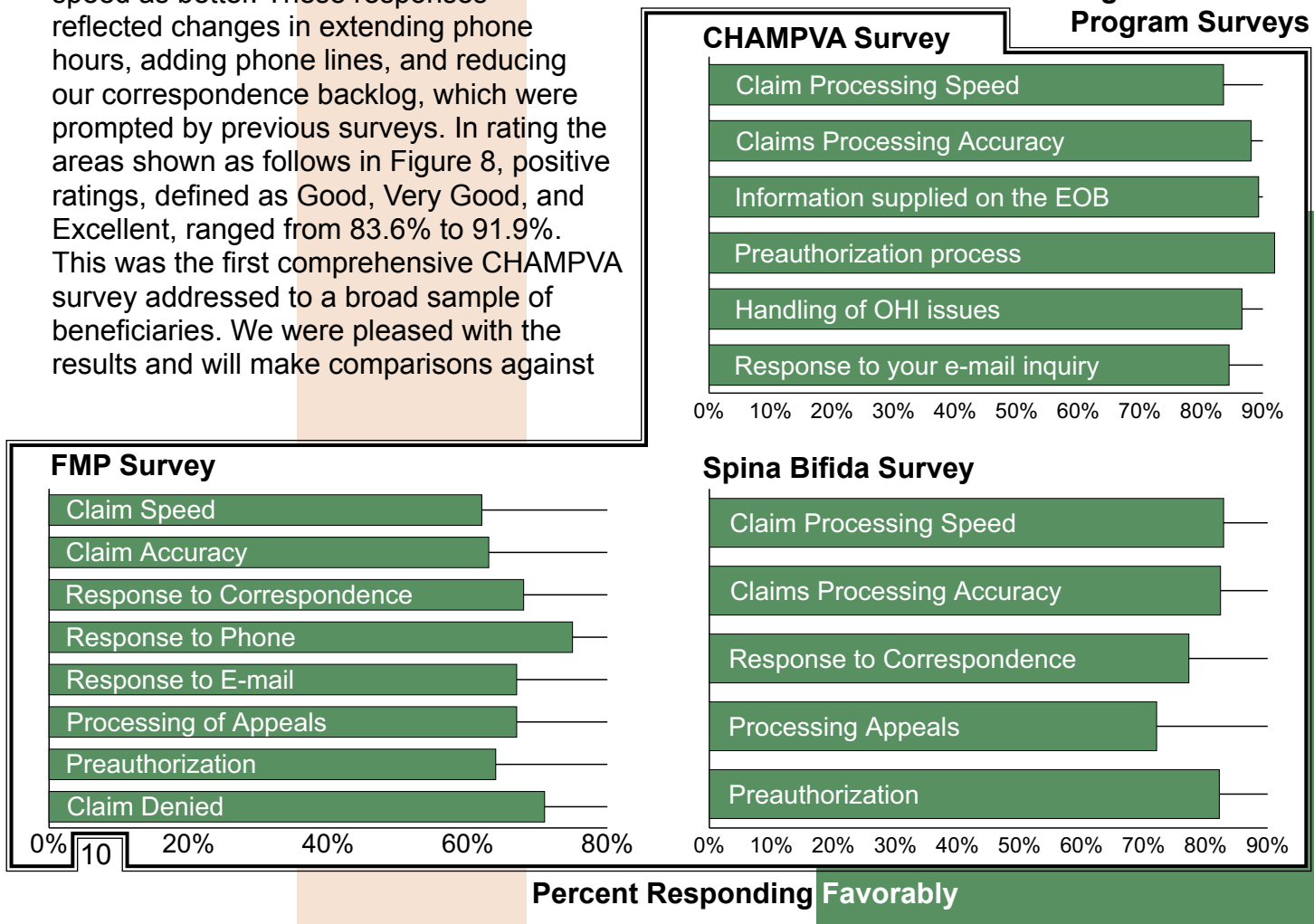
When asked to compare the current year to previous year’s services, 72% of CHAMPVA respondents rated extended phone hours as better, 70.9% rated additional phone lines as better, and 60.1% rated correspondence speed as better. These responses reflected changes in extending phone hours, adding phone lines, and reducing our correspondence backlog, which were prompted by previous surveys. In rating the areas shown as follows in Figure 8, positive ratings, defined as Good, Very Good, and Excellent, ranged from 83.6% to 91.9%. This was the first comprehensive CHAMPVA survey addressed to a broad sample of beneficiaries. We were pleased with the results and will make comparisons against

future surveys (See Figure 8 - CHAMPVA Survey).

For the first time, the Foreign Medical Program survey was offered via the FMP homepage on the World Wide Web. The Foreign Medical Program survey was a joint effort between the Health Administration Center and the Veterans Benefits Administration. Program participants were asked to rate the basic process in using the FMP program (Claims, Appeals, Preauthorization), as well as the level of customer service provided by HAC (response to correspondence, phone, and e-mail). Satisfaction levels, defined as responses of Good, Very Good, and Excellent exceeded 60% in all categories (See Figure 8 - FMP Survey).

When asked to rate their experiences with the Spina Bifida program and services, positive ratings, defined as responses of Good, Very Good, and Excellent, ranged from 72.1% to 82.9% (See Figure 8 - Spina Bifida Survey).

Figure 8 - Annual Program Surveys



Outreach

The HAC Public Affairs Office greatly increased its outreach program in FY 2004 giving CHAMPVA training to State and County Veterans Service Officers in ten states reaching 1,100 VSOs. In addition, CHAMPVA beneficiary briefings were held in thirteen cities reaching nearly 1,500 beneficiaries. The HAC made presentations to various Veterans Service Organizations that reached 528 veterans in five states (Table 3 details our outreach effort).

Table 3 - 2004 Outreach Statistics

Beneficiary Briefings	Attendees
Puerto Rico	250
San Antonio	183
West Los Angeles	102
Long Beach	82
El Paso	93
St. Petersburg	150
Philadelphia	50
Reno	60
Las Vegas (Dec. 03)	80
Las Vegas (Sept. 04)	80
Charleston S.C.	32
Pittsburgh	65
Fayetteville	75
Dallas/Ft. Worth	175
Veterans Service Organizations	Attendees
Ex-POWs Boston	120
Ex-POWs National Convention	320
Ex-POWs Baltimore	60
Ex-POWs Anne Arbor	45
2/3/3 Vietnam Veterans Association	103
State VSO Training	Attendees
North Dakota	78
Minnesota	138
Pennsylvania	73
Michigan	102
Georgia	210
Nebraska	88
North Carolina	87
Florida	138
Wisconsin	106
Colorado	80

Publications

The HAC continues to rely heavily on its large variety of publications to inform and reach our beneficiaries and providers as well as utilize our publications as marketing tools.

New publications for FY 2004 included a CHAMPVA newspaper mailed to over 190,000 beneficiaries and providers. Feedback on the publication from recipients was extremely positive. Similarly, the former internal HAC weekly bulletin was replaced with a more robust monthly in-house news publication entitled the HAC TICS. The name is derived using the first letters of the HAC Values from our Mission Statement (Humor, Accountability, Challenge, Trust, Integrity, Customer Service).

To make it easier for our customers to read, the CHAMPVA Handbook was updated and printed in a large print format for the first time as well as were several other "how to..." brochures associated with various programs. One important addition to the publications inventory was the introduction of Spanish language materials. All brochures, forms, and the CHAMPVA Handbook were translated into Spanish and are regularly kept in stock.

The success of the Spanish language materials prompted the HAC to extend multi-lingual publication of the CHAMPVA Handbook into any requested language as well as in Braille. During this year we produced the CHAMPVA Handbook in Italian, Thai, Japanese, and Russian.

HAC Website

Website improvements reflected needs for both the HAC's internal and external customers. The HAC local (inhouse only) intranet site was completely redeveloped to optimize usability and information access by HAC staff. New, separate virtual tours for external customers and new HAC employees were deployed, giving a glimpse into the HAC.

A chat line pilot program was initiated to allow beneficiaries and providers to talk to a benefits advisor via e-mail in real time. If proven a successful and useful tool, the chat line will become a permanent fixture in FY 2005.

For the first time, a site counter was added to the HAC internet site, which allows the HAC to track browsing trends of visitors by program site. Our tracking has revealed a steady level of use of the program sites, with some slow growth indicated. We will promote the HAC internet site in our semi-annual customer newsletter.

Timeliness

Through team effort, training, and effective leadership the HAC improved CHAMPVA claims processing times well ahead of our established goals and industry standards. Processing times improved from 85.9% within 30 days in October 2003 to 97.1% in September 2004. At the end of FY 2004 we were processing claims within 13 days of receipt.

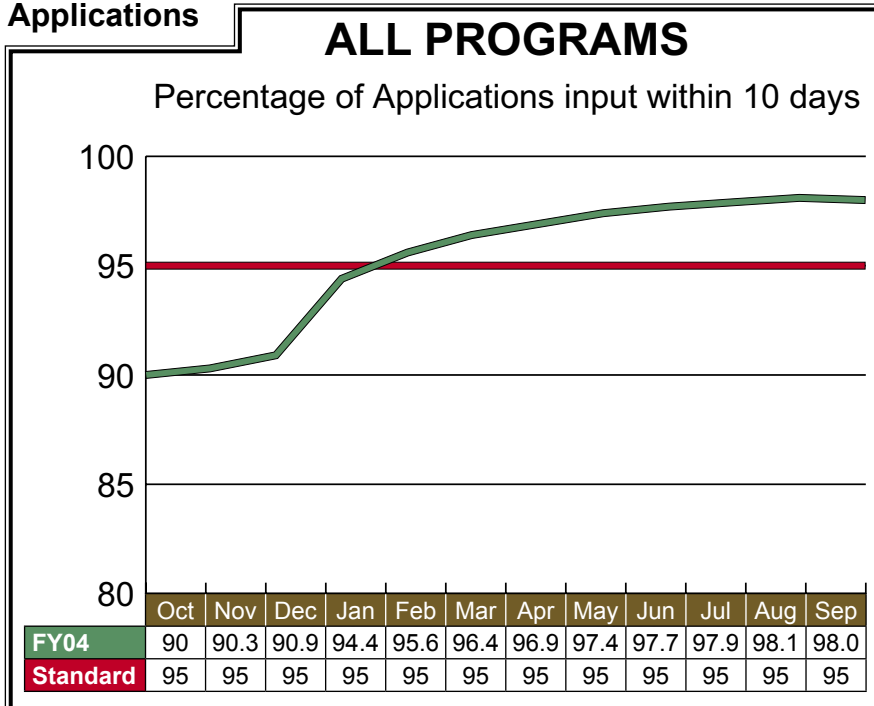
One hundred percent of FMP claims were processed within their standard of 45 days.

The HAC made a vast improvement by decreasing our backlog of beneficiary applications from 12,191 in August 2003 to 1,584 at the end of August 2004. This decrease took processing time for applications (from receipt to card issue) from an average of 96 days to 15.2 days.

We have improved our percentage of applications in 10 days from 90% at the start of FY 2004 to 98% at the end of FY 2004

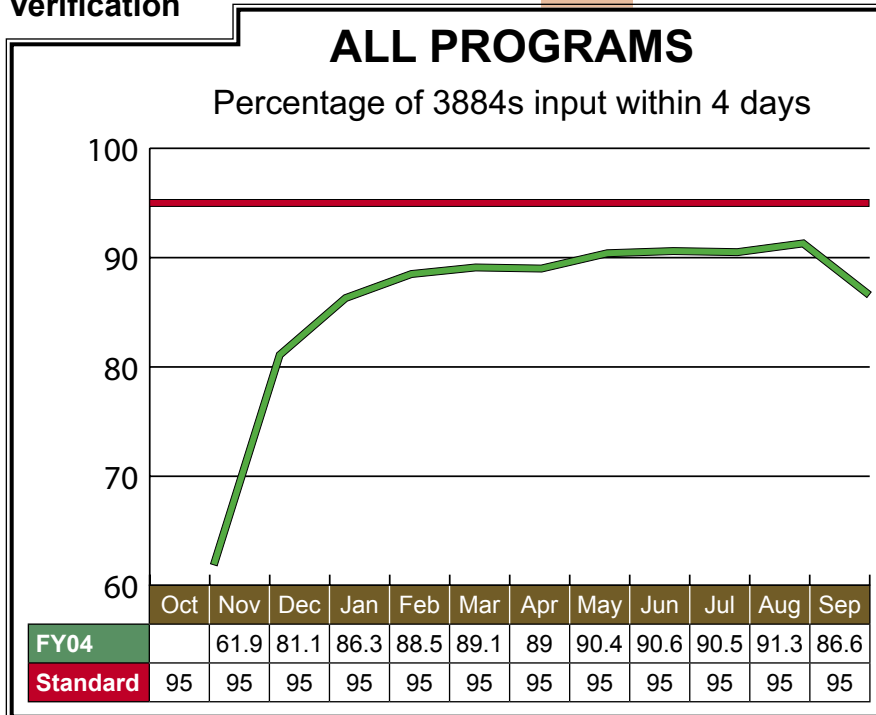


Figure 9 - Applications

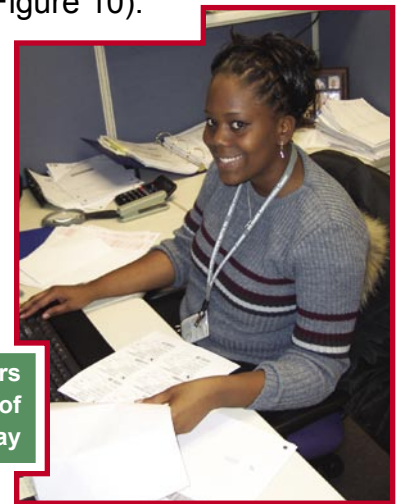


A backlog of 3,680 applications awaiting input existed at the beginning of FY 2004. It was reduced to 456 by the end of the year. As a result, 98% of applications were processed in 10 days. Both of these outstanding achievements were accomplished in spite of a steady increase in applications (See Figure 9).

Figure 10 - Input Eligibility Verification



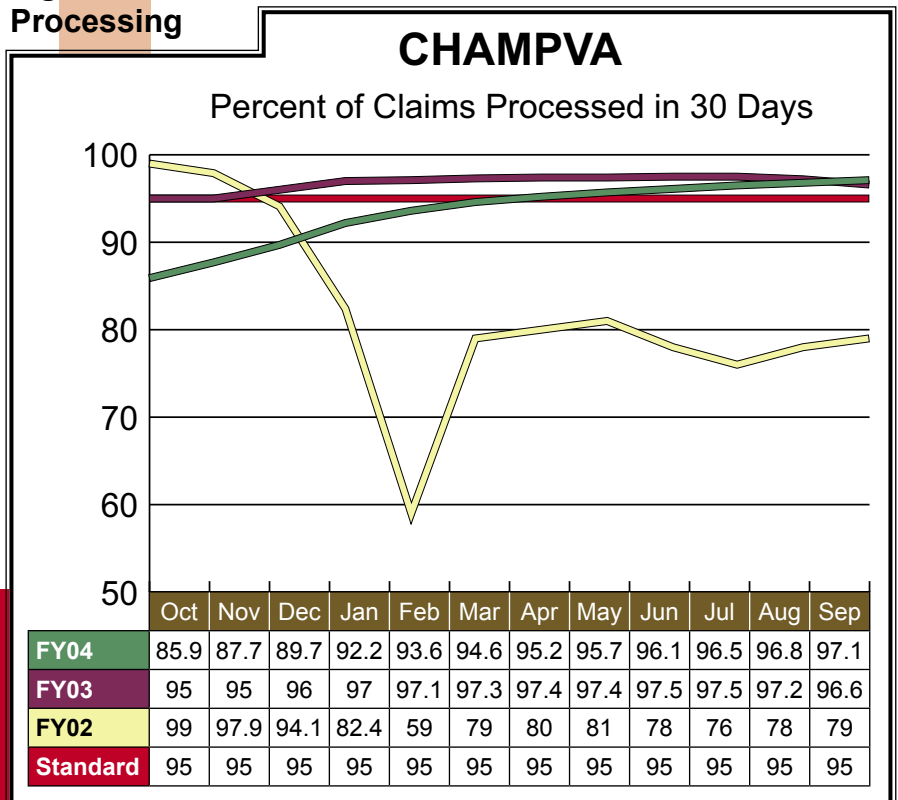
Vast improvements were made in FY 2004 in the timely processing of VA Regional Office verifications of eligibility. Although we did not meet our standard of 95% completion within four days, we did achieve a 30% improvement by streamlining the process. Reorganization, leadership, and combining processing steps eliminated more than 20 days of processing time (See Figure 10).



Voucher examiners process an average of 245 claims per day

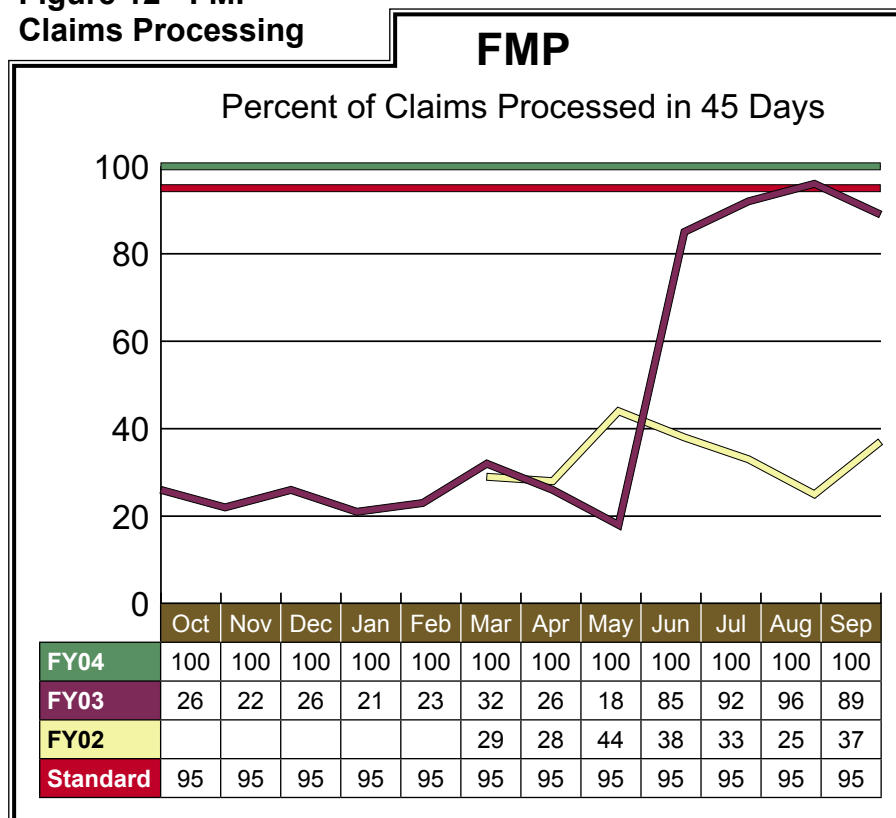
Figure 11 - Claims Processing

The Center exceeded its 95% in 30 days goal for claims processing in FY 2004 by more than 2%. Leadership, organization, and training led to overcoming the challenge of a 76% personnel turnover rate in the Claims Processing Division. The Division processed 97% of all claims in 30 days or less, which is the highest level of performance in the past three years (See Figure 11).



Since FY 2003, when FMP claims processing was incorporated into the Claims Processing Division, we have consistently succeeded in maintaining the standard of 100% of claims processed within 45 days (See Figure 12). We owe this success to superior leadership and management, which empowered FMP staff to improve their processes, conforming them more closely to claims processing for our other programs such as CHAMPVA and Spina Bifida.

Figure 12 - FMP Claims Processing



Expansion of Benefits

The HAC made controlled drugs available to Meds by Mail participants. Also, plans were completed for implementing a second servicing center for the program in Dublin, Georgia in FY 2005.

GOAL: Staff Development

Employee Satisfaction

We completed the HAC Annual Employee Satisfaction Survey. The participation rate was 72.3% (up from 43% the previous year). Satisfaction scores improved in all areas of the Center over the previous year. Employee comments or requests were evaluated by teams of their peers and presented to the Executive Leadership Team with proposals for action. Three internal customer satisfaction surveys have also been conducted for Divisions. This allowed employees to express their opinions and define their needs as internal customers. Table 4 shows a comparison between 2003 and 2004 employee satisfaction results and demonstrates significant improvement in all areas.



BPS Employees gather at the Call Center Lead Desk.

Table 4 - Employee Satisfaction Survey Results

Question	% of employees that Agree/Strongly Agree	
	2003	2004
I understand my Division's role in the HAC	85%	89%
My supervisor understands my job tasks and responsibilities	72%	81%
My immediate work environment is conducive to getting my job done (work culture)	48%	75%
My immediate work environment is conducive to getting my job done (physical conditions)		80%
My supervisor is able to offer direction on new issues or ones with which I am unfamiliar	63%	81%
I receive the training I need to do my job	64%	74%
My division chief is concerned with workplace problem issues	59%	78%
The Director/Deputy Director is concerned with workplace problem issues		80%
I have a high degree of job satisfaction	64%	79%

Employee Recognition

New goalsharing and peer awards were established. The plan was presented to all employees for feedback, changes were made, and the plan was implemented for the FY 2004 evaluation cycle.



HAC 1-year service pin

The Public Affairs Office graphics artist created a new lapel pin to present to employees for service at the HAC.

The HAC maintains an online option to allow employees to submit suggestions, in addition to a standard suggestion box. During the year the HAC received over 109 suggestions from our employees with 26 being adopted into HAC policy.

In March 2003 the HAC held a two-day celebration of our diversity as an organization. Diversity Day encompassed a wide range of activities, including a celebration meal, guest speakers, and cross-cultural competitions. The Special Emphasis Program working groups created

displays representing many different ethnic groups and the members dressed in traditional attire. Employees expressed great appreciation for being able to celebrate everyone's heritage and learn from each other.

The HAC's first annual holiday party was a huge success thanks to the hard work of the Employees' Association. Tickets sold out and 167 employees and their guests enjoyed a wonderful evening.

The HAC also developed an Employee of the Quarter program, named in memory of Lelia Hooks, to recognize outstanding individual achievement or performance through an employee-run awards program.



Latin American display at HAC Diversity Days



CIO provided 30 computer classes to a total of 222 HAC students

Training and Development

Because of the HAC's focus on becoming a learning organization, Center level training was expanded and most Divisions conducted job related training for their employees. In FY 2004, the Center invested \$177,122 in training for employees. Due to the large turnover in production divisions, our focus this year was directed toward new employees. The Center provided initial job skills training to 106 new employees in FY 2004 and 23 students completed management training.

Human Resources and the Management Support Division have broadened the focus of new employee orientation to include customer service, program information, planning and performance improvement, and introduction to the HAC intranet. In addition, required training and certification for privacy, security, sexual harassment, and basic employment information were provided.

Stress management training and Medicare Reform Act training were offered. Fifty-three managers and supervisors received High Performance Development Model training. This training equipped them to develop individual performance plans for review and evaluation of their staff.

Hiring and Succession Planning

Manpower expansion greatly increased our personnel strength over the past fiscal year. At the conclusion of FY 2003 the HAC employed 364 civil servants and 60 contractors. The number of civil servants expanded to 457 as of September 30, 2004 and the HAC retained 91 contracted employees.

The HAC obtained recertification for its Designated Examining Office (DEO), enabling the Center to broaden our base and improve timeliness in hiring new employees. The DEO capability also allows us to better serve VA as a whole by providing staffing services to other VA offices or agencies and generating \$35,000 in revenue for the HAC.

We determined that 18% of our staff would be eligible to retire in the next five years. To focus on improving our succession planning, we continued our mentoring programs and had five employees complete the most recent cycle. We completed one Management Training class and two new classes began. Two employees graduated from the VISN 18/19 Leadership Development Institute.

American Federation of Government Employees (AFGE) Local 2241 has two stewards at the HAC who serve 325 bargaining unit employees. During FY 2004, AFGE assisted 315 employees with such issues as time and leave, flextime and compressed schedules, the Employees Assistance Program, job related and personal problems, and union benefits.

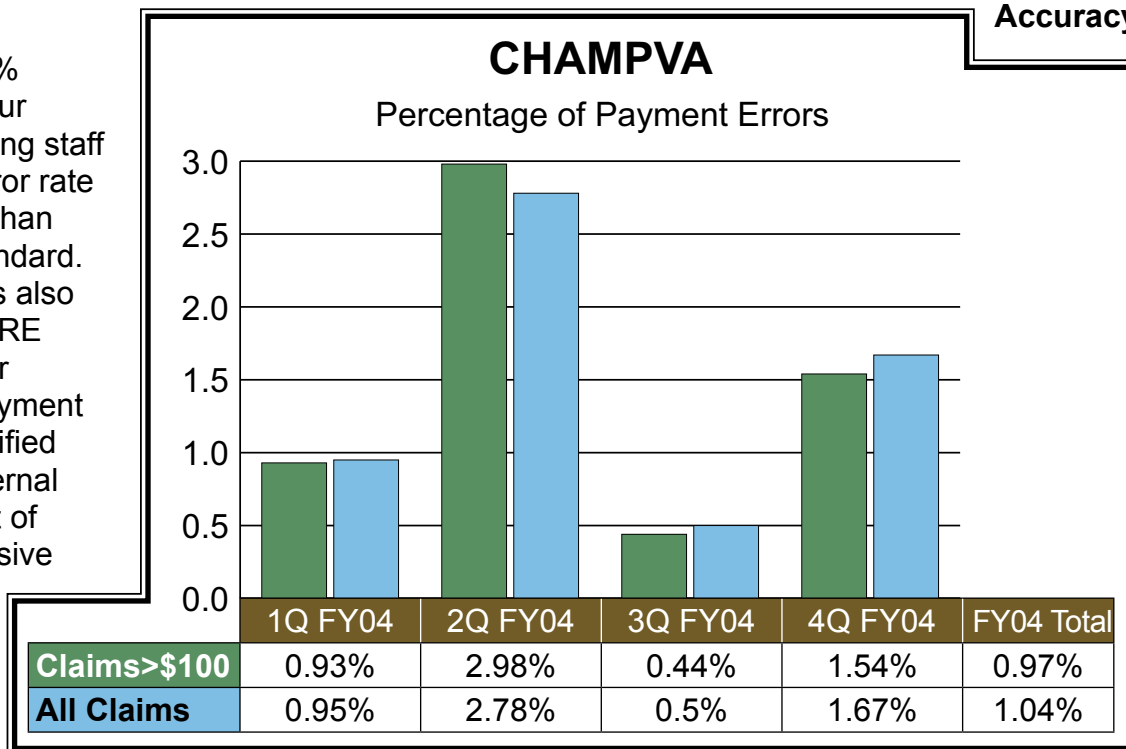


A Lead Contact Representative provides one-on-one training to a Benefits Advisor

GOAL: Quality Products

Even with a 76% turnover rate, our claims processing staff achieved an error rate of 0.97%, less than half the 2% standard. This standard is also used by TRICARE to evaluate their contractors. Payment errors are identified through our internal auditors as part of our comprehensive compliance program.

Figure 13 - Payment Accuracy



Integrity of Systems

Our Information Security Officer reviewed and updated our Contingency Plan this year. We remain in compliance with our OMB 300 which allows us to maintain and upgrade our systems proactively. We created an enterprise backup solution to help maintain data integrity and had no unauthorized breaches to any of our systems.

Numerous process improvements were accomplished in FY 2004:

- A formalized follow-up plan for aging VA Form 10-3884A requests greatly reduced requests older than 30 days.
- An employee suggestion which resulted in creating larger batches of scanning documents, increased production in that area by 30%

Process Improvement

The Center implemented a plan to prepare and submit an application for VA's Robert W. Carey Award. A Carey Writing Team. The HAC held a "Carey Week" made up of structured interviews with management, leads, and front-line employees to develop a current view of the organization and identify any gaps in business systems or performance. Our Presidential Management Fellow completed Carey Examiner training and participated in the evaluation of 2004 Carey applications. He has brought this experience to the HAC Carey Writing Team.

A change to the batching process of scanning documents resulted in a 30% improvement in productivity





HAC Director Ralph Charlip (left) explains HAC operations to the Deputy Secretary of the VA Gordon H. Mansfield (lower right) and his staff

New Products

During FY 2004, the HAC became responsible for the national Fee program. In that role the HAC sets policy, develops training programs, and responds to requests for assistance from across VHA. To support the Fee program, the HAC began a deliberate integration of the program throughout the Center's operation. Our Policy and Compliance office began handling Fee policy issues. Our Product Development Office, Business Office, and Chief Information Office successfully implemented a HIPAA compliant solution allowing providers to submit electronic claims for the Fee program. Our phone center established a toll free help desk for individuals with questions about the new electronic claims process established in October 2003.

Innovations

Three Divisions reorganized to reduce risk and improve overall function.

- The Support Services Division realigned to define their functionality more clearly.

They successfully negotiated standards with AFGE and improved their productivity in many areas.

- The Policy and Compliance Division separated responsibility for appeals and program integrity, forming a third section in the Division. Workload distribution for appeals was redesigned to establish continuity and improve efficiency. Clinical Nurse Reviewers were assigned to the three specific sections rather than remaining as a discrete unit.
- The Fee Replacement Project team was realigned under a new Project Development Office, consolidating responsibility for the business and technical aspects of the project. The Fee Replacement Project team completed a cost benefit analysis and submitted a project plan to the VHA leadership.



Eligibility staff input 98% of applications within 10 days of receipt

GOAL: Save Money

The HAC provides excellent service to our beneficiary population while aggressively managing program costs. In FY 2004 we achieved a total savings of almost \$116.3 million. Table 5 breaks down our savings for FY 2004.

Table 5 - HAC

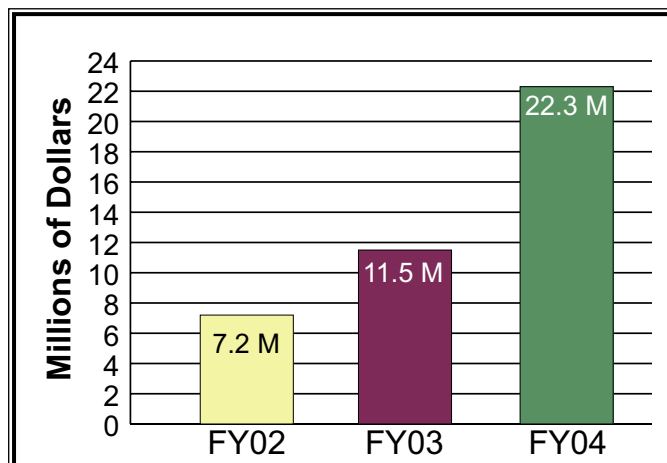
Program Initiative	FY 2004 Savings
Artificial Intelligence	\$4,442,000
Fraud, Waste, and Abuse Prevention	\$5,925,000
ClaimCheck®	\$12,014,000
Meds by Mail	\$61,936,000
CITI	\$24,400,000
Recoupments & Collections	\$7,437,000
Innovations: Postal Savings	\$97,000
DME PAT	\$48,000
Total savings	\$116,299,000

ClaimCheck®, Artificial Intelligence, and fraud, waste, and abuse prevention have continued to save the VA significantly increasing amounts each year. Figure 14 shows the combined increases from FY 2002 to FY 2004.



The Policy and Compliance division keeps HAC policies up to date

Figure 14 - Combined Savings Due to AI, Claim Check® and Fraud Waste & Abuse Prevention



Artificial Intelligence

The HAC Artificial Intelligence (AI) system was developed within the Center to process claims in compliance with policies and regulations. The AI system provides consistency to the payment system by comparing diagnostic, procedure, and drug codes (ICD-9, CPT, HCPCS, and NDC) contained in each claim against a series of over 100 logic tests based on policy. The AI system uses thousands of code combinations to ensure consistent application of policy when adjudicating claims. The system is updated to reflect changes to policies or regulations, approval of new drugs by the Food and Drug Administration, or advances in medicine. Each year AI increasingly avoids more expenses. Savings to the VA increased from \$3,133,435 in FY 2003, to \$4,441,739 in FY 2004.

ClaimCheck® Software

ClaimCheck® is a fully automated cost containment system and is used to enhance our current AI system. This commercial software can apply over 1.7 million medically accepted coding edits. Updates to

the software are reviewed twice annually to further improve its effectiveness. Total cost avoidance due to ClaimCheck® for FY 2004 was \$12,014,309.

Fraud, Waste, and Abuse Prevention

During FY 2004, there were 131 potential program integrity issues referred to the Policy and Compliance Division for review. Of those, 28% required further investigation or monitoring.

Because of the action of the Program Integrity staff, the Center saved approximately \$2 million as a result of the review of one medical provider. The Center shared this information with the DoD TRICARE Program Integrity Office, which was also impacted by this provider. Cost avoidance resulting from Program Integrity's work in FY 2004 was \$5,924,785.

Special Cost Savings Initiatives

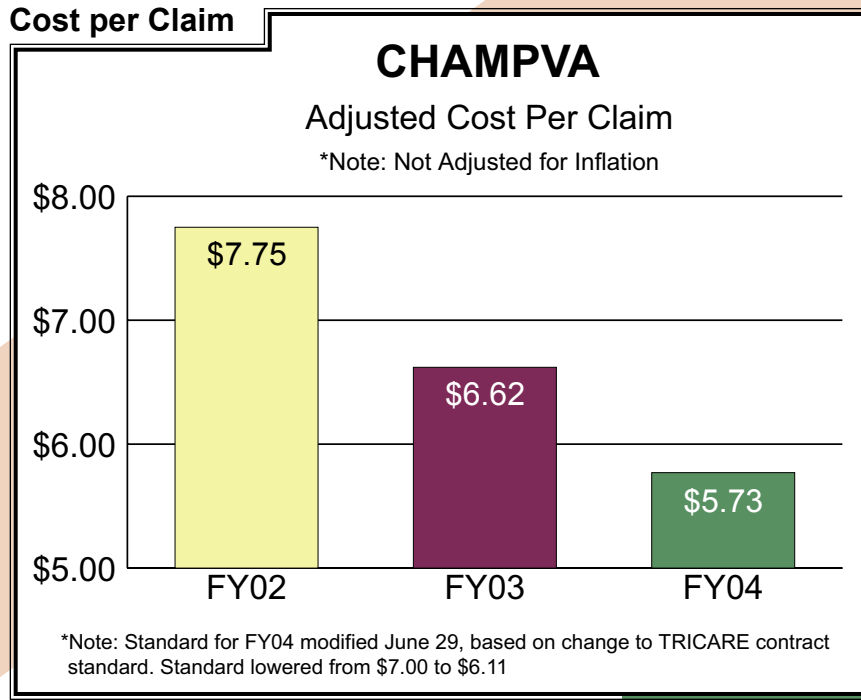
During FY 2004, many process improvements brought about significant savings for the Center. The most significant examples involve mailing processes, fraud, waste, and abuse, publications, and the outcomes of the Durable Medical Equipment Process Action Team (DME PAT).

Several Divisions collaborated to effect changes in the mailing process for authorization cards and handbooks to new beneficiaries. By mailing the documents separately we saved approximately \$214,000 per year. Additionally, a bulk mailing process has also been implemented to further increase efficiency, saving \$97,000 in FY 2004.

Decrease Cost per Claim

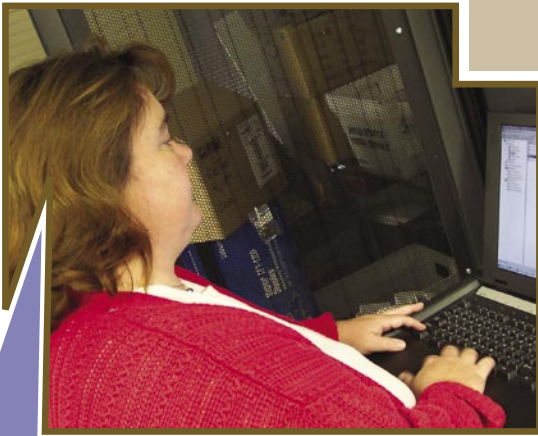
Thanks to innovative and aggressive management, the HAC significantly decreased our CHAMPVA administrative cost per claim this year. We lowered the standard from \$7.00 to \$6.11 and managed to do even better than the new standard, with a 13.4% decrease in cost per claim (See Figure 15). Our administrative cost compares very favorably to other government and private sector health plans.

**Figure 15 -
Cost per Claim**



As electronic claims have increased, we have begun to realize savings in staffing in Support Services Division since those claims do not require screening or scanning. Support Services Division has also increased their efficiency, accommodating a 45% increase in mail volume over FY 2003, while reducing staff from 79 to 56.

The HAC has been selected to become a training site for two nationally funded contract specialists, which will provide the services of two GS-9 positions for two years.



The HAC maintains both local & national applications software

GOAL: Leverage Technology

Improve the Use of Information Technology

The HAC fully complied with the Health Insurance Portability and Accountability Act (HIPAA) including electronic transactions, privacy, and security.

We have continued to update and customize our claims editing software ClaimCheck® twice each year in order to maximize the effectiveness of this technology.

Our Chief Information Office made progress in the use of technology in the following areas in FY 2004:

- Improved storage area networks for imaging
- Added hardware for the Fee Replacement Project
- Improved back up tape libraries
- Added optical jukeboxes for Acorde
- Added new servers plus the management software that allows them to be monitored from a central location

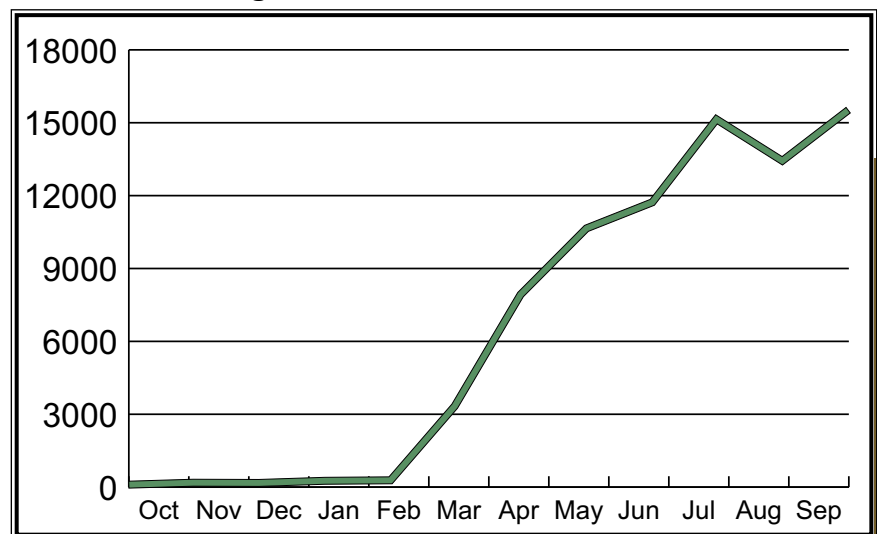
- Added DV X-ray to monitor rehost databases

Automate Manual Systems

Under the Fee Replacement Project, the HAC is developing a replacement for the VISTA Fee system. This new system, to be fielded in FY 2007 and FY 2008, will increase the automation of claims processing for Fee using leading edge, industry standard approaches. For example, the artificial intelligence system and ClaimCheck® software used by the HAC and described earlier, will be applied to the Fee program.

We have seen EDI claims climb steadily in number during this year (See Figure 16).

Figure 16 - EDI Claims Received in FY 2004



Improve Information Management

A preliminary phase of the Fee Replacement Project is the total rehosting of the HAC's existing claims processing system from a MUMPS environment to a contemporary JAVA/Oracle environment. By the end of FY 2004, over one million lines of code had been completed representing 50% of the effort.

Staff training has been provided in the use of RoboHelp® software in order to make our policy manuals more user friendly. This software provides search capabilities that will make reference information more readily available.

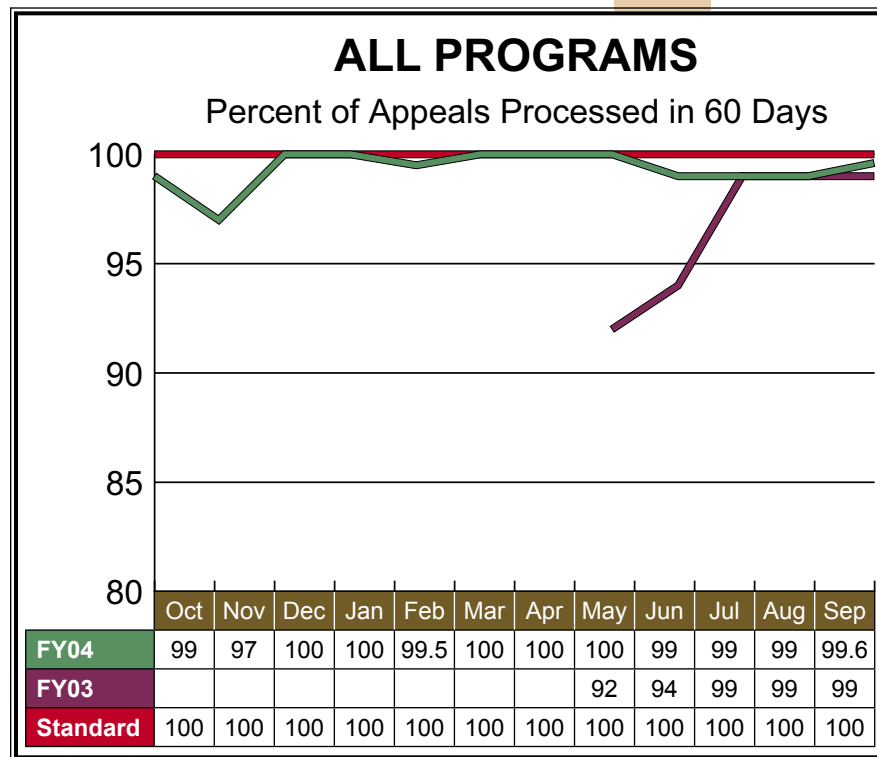
GOAL: Compliance with Laws and Regulations

Although the standard of 100% of appeals processed in 60 days has not been met every month, great improvement has been made since the Appeals Unit was created in FY 2003. In FY 2004, 99.5% of 3,760 appeals were completed within 60 days (See Figure 17).

The HAC processed more than 5.5 million claims in FY 2004



Figure 17 - Appeals Processing



to be among the top quarter of one percent of those organizations, both government and public, that were HIPAA compliant by October 2003.

Our annual fire and safety inspection by the Denver Fire Department indicated that we had effectively cleared all previous deficiencies from the FY 2003 assessment.

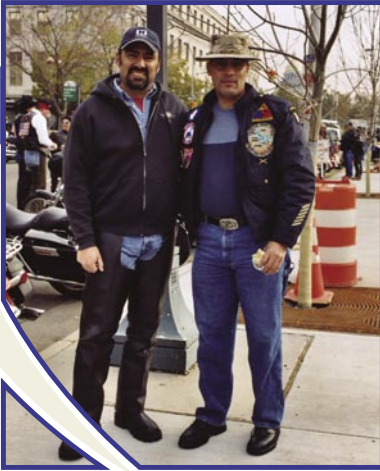
Our Financial Management Service has remained compliant with the Improper Payment Act requirements as verified

Bring Current Processes into Compliance

PriceWaterhouseCoopers performed an independent audit of the HAC in the area of HIPAA compliance. In their out brief they noted that the HAC was distinguished

by an inspection by Deloitte & Touche. Austin Automation Center quality reviews have been successfully performed, as have monthly audits of reconciliations by VACO.

COMMUNITY SERVICE AND CORPORATE CITIZENSHIP



HAC employees march annually in Denver's Veteran's Day Parade

The HAC demonstrates daily commitment to corporate citizenship by supporting and encouraging employee involvement in community groups, special emphasis programs, professional associations, and charities.

Combined Federal Campaign (CFC)

In the Fall of 2003 the HAC's CFC donations totaled \$41,241 with a participation rate of 72.2%, an improvement from 32% in 2002.

Voter Registration

In September of 2004 the HAC provided registration forms for the national and state elections and encouraged all employees to "let their voice be heard."

Blood Drive

As a voluntary effort and in conjunction with the Bonfils Blood Center the HAC employees donated the most precious gift of all: the gift of life. Over 75 pints of blood were donated.

Thanksgiving

The Black Employees Special Emphasis Program sponsored a drive to collect food for baskets for needy families as part of

a Denver Federal Executive Board community project. Eleven complete food baskets plus approximately \$150 in cash were presented to a local church that had requested assistance as part of this project.

December Holidays

In December, the Hispanic Employees Special Emphasis Program led the effort to collect food for the families of HAC employees who could use more help at the holidays. Every employee who requested or was nominated for a basket received one. A basket and a Target gift certificate were presented to each of 13 employees and their families.

In December 2003, the HAC began participating in the Ronald McDonald House Toy Drive. More than 417 toys, clothing items, and miscellaneous household goods were donated for the drive.

Helping Veterans

HAC employees also participated in serving our veterans by working at the VA standdown for homeless veterans and participating in the Veterans Day Parade. Twenty-seven HAC employees helped add to the Denver VA Medical Center's Valentine's Day celebration by taking cards to veterans who were patients.



Blood Drive

Holiday Party

Voting Registration

Veterans Day Parade

SUMMARY



Document Control Center staff sorted 1.6 million pieces of mail in FY 2004

FY 2004 was a year of challenge, growth, and opportunity for the HAC. We worked hard to keep the needs of all our customers, external and internal, our first priority. To do that, we added staff, expanded training, and improved processes. We focused on building customer and employee satisfaction while striving to build even stronger technology capabilities. We expanded our horizons to build partnerships and provide greater service than ever before to our staff, the Department of Veterans Affairs, and our wider community. We will continue to aim high as we endeavor to meet the challenges of the coming years.

Comments Or Ideas?

If you have comments on this Stakeholders' Report, questions about its content, or ideas we need to consider, please contact us:

By mail:

Health Administration Center
ATTN: MSD
PO BOX 65020
Denver, CO 80206-9020

By E-mail:

hac.inq@med.va.gov

(please indicate in the text of your e-mail that your comments are for the Chief, Management Support)

You can read more about all of our programs, services and publications on our web site at:

www.va.gov/hac

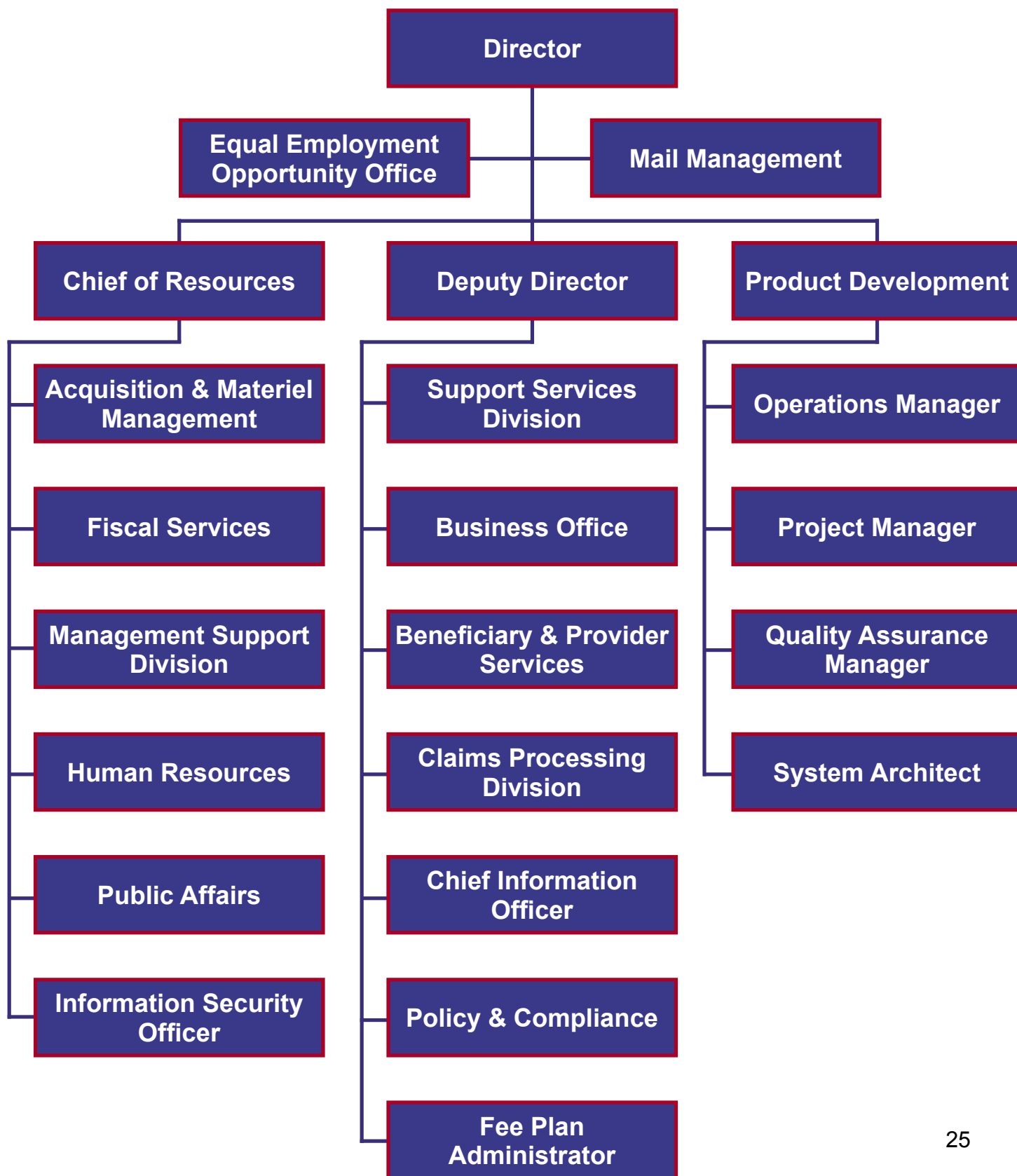
Need More Information?

You can order any of the publications by contacting the HAC, by mail, by e-mail or by calling 800-733-8387.



HAC maintains a large variety of program guides in both English and Spanish

Attachment 1: HAC Organizational Chart



Attachment 2: Roadmap to the Future

GOAL	OBJECTIVE	STRATEGY	STATUS
1. Customer Focus Baldrige Cat 3: Customer Focus	A. Improve timeliness by:	1. Responding accurately & timely to e-mails	Complete
			Complete
		2. Responding accurately & timely to Congressionals	
		3. Responding accurately & timely to written correspondence	Complete
		4. Maintaining claims processing standards	
		5. Implementing next generation DEERS (Compatibility w/DEERS)	Complete
		6. Providing timely information to external customers (phone)	
		7. Accurately processing applications within standards	
	B. Improve communications with customers by:	1. Updating CITI Guide & training materials	Closed
		2. Keeping all publications simple to read	
		3a. Automated receipt of acknowledgement for all documents	Complete
		4. Assuring web content is accurate, current & customer focused	
		5. Completing a forms assessment	Complete
		6. Making preauth process more provider focused	Complete
		7. Publishing a new CHAMPVA handbook	Complete
		9. Expanding outreach and education	
	C. Improve Customer Feedback processes by:	1. Surveying Benes/providers	
		2. Implementing a complaint tracking system	Complete
	D. Expand benefits by:	2. Expanding MbM to include controlled drugs	Complete
		3. Completing implementation of CFL	Complete
		4. Providing a dental plan through TRDP	
		10. Providing coverages for Pulmonary rehab for COPD	Complete

	On Schedule or Ongoing
	Dependent on Outside Entity

Strategy item numbers that are not displayed were not planned for completion in FY 2004. They are part of the three year plan.

Attachment 2: Roadmap to the Future

GOAL	OBJECTIVE	STRATEGY	STATUS
2. Staff Development Baldrige Cat 5: Staff Focus	A. Improve Employee Satisfaction by:	1. Ensuring a safe work environment	
		2. Developing an On-line training program	Complete
		4. Updating the awards process	
3. Quality Products Baldrige Cat 4: Information & Analysis and Cat 6: Process Management	A. Ensure integrity of systems by:	1. Implementing CMS Matching Agreement business process	
		2. Providing accurate information to external customers	
	B. Do it right the first time by:	3. Improving audit process	
		4. Changing reopen process to allow BAs to input info & send electronically to processing	Closed
		6. Completing a Baldrige/Carey organizational assessment	Complete
	C. Transition Program Management of Fee Program by:	1. Developing functional requirements for the Fee program in the HCPS system	
		3. Establishing a VAMC/HAC liaison support team	Complete
		5. Establishing an effective Fee Program management function	Complete
	D. Monitor the quality of products by:	1. Aligning performance measurements	
		2. Conducting semi-annual product reviews	Complete
	E. Implement Pharmacy Benefit Management Function by:	1. Establishing a pharmacy management program	
4. Save Money Baldrige Cat 6: Process Management	A. Increase cost savings by:	9. Reducing pharmacy costs	
	B. Decrease cost per claim by:	1. Reducing administrative costs	
		2. Increasing electronic receipt of claims	
		4. Implementing OCR	Complete
5. Leverage Technology Baldrige Cat 4: Information & Analysis and Cat 6 Process Management	A. Improve use of IT by:	1. Implementing HAC interactive web project	Complete
		2. Completing CoreFLS changes	
		3. Implementing web-based forms	Complete
6. Compliance with Laws & Regulations Baldrige Cat 1: Leadership and Cat 2: Strategic Planning	A. Bring current processes into compliance by:	6. Conducting an Annual Policy Audit	Complete

	On Schedule or Ongoing
	Dependent on Outside Entity

Strategy item numbers that are not displayed were not planned for completion in FY 2004. They are part of the three year plan.

Attachment 3: HAC Glossary

GLOSSARY	
ACE	Automated Claims Entry - an enhancement to our software that will provide a form of artificial intelligence to make decisions about claims payments based on both user inputs and business rules of the HAC.
CBO	Chief Business Office
ClaimCheck®	Claims editing software purchased by the HAC to aid in claims processing.
CMS	Centers for Medicare & Medicaid Services
DRG	Diagnosis Related Groups - A classification system that groups diagnoses for billing purposes.
EDI	Electronic Data Interchange - Used to receive (claim) data electronically and decrease the amount of human intervention in business processing.
EEO	Equal Employment Opportunity - Staff at the HAC support our commitment to equal opportunity for all qualified persons regardless of race, color, religion, sex (including sexual harassment), disability, national origin, age, sexual orientation and reprisal; and maintaining a working environment free from discrimination and sexual harassment.
ELT	Executive Leadership Team - HAC's senior staff, including the Director, Deputy Director, Chief of Resources, Chief of Product Development, and Division Chiefs.
EOB	Explanation of Benefits - A report of actions taken on a claim.
HIPAA	Health Insurance Portability and Accountability Act of 1996 - Requires the health care industry to exchange information electronically and sets privacy and security standards. The law mandates that standardized electronic transactions be used to accomplish electronic exchange of health care information.
ISO	Information Security Officer - Responsible for ensuring that HAC computer systems are protected against unauthorized access and virus attacks.
OCR	Optical Character Recognition - The ability to scan documents into a computer system and populate the data entry fields.
TRICARE	DoD's health care program for military & dependents.
VACO	VA Central Office - VA's headquarters in Washington, DC.
VAM&ROC	VA Medical and Regional Office Center - A combined health care and benefits center.
VARO	VA Regional Office - A VBA office that provides benefits and services to veterans and their families through 57 VA regional offices.
VBA	Veterans Benefits Administration - Provides benefits and services to veterans and their families worldwide.
VHA	Veterans Health Administration - With 158 VA medical centers (VAMCs) nationwide, VHA manages the largest health care systems in the United States.
VistA	Veterans Health Information Systems and Technology Architecture - the automated environment that supports day-to-day operations at VA health care and benefit facilities

How We're Doing



*"...To care for him who shall have borne
the battle and for his widow and orphan"
- Abraham Lincoln*